

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 137 - SB 142

April 6, 2023

SUMMARY OF BILL AS AMENDED (006415, 007226): Reorganizes provisions regarding specialty earmarked and new specialty earmarked license plates. Eliminates outdated provisions referring to the obsolete Street Rod specialty earmarked license plate.

Extends, by one year, the time frame for seven specialty earmarked license plates to meet the required threshold.

Creates 26 new specialty earmarked license plates.

Creates two new specialty earmarked motorcycle license plates.

Creates two new collegiate license plates.

Creates one new military cultural license plate.

Creates one new cultural license plate.

Requires the Department of Revenue (DOR), beginning January 1, 2024 or upon depletion of existing inventory to replace the term "www.tnvaction.com" with "In God We Trust" (term) on all newly issued registration plates. Authorizes an owner or lessee to be issued an alternative plate without the term, if elected. Requires a county clerk to inquire as to which plate the owner or lessee would like to be issued, and if no preference is indicated, to issue a plate with the term. Authorizes an owner or lessee to request and be issued a replacement registration plate with or without the term before the scheduled issuance of a new plate, under certain conditions.

FISCAL IMPACT OF BILL AS AMENDED:

Increase State Revenue –

\$49,200/FY23-24/Tennessee Arts Commission

\$12,300/FY23-24/Highway Fund

\$55,600/FY24-25 and Subsequent Years/Tennessee Arts Commission

\$13,900/FY24-25 and Subsequent Years/Highway Fund

Increase Local Revenue – Exceeds \$3,800/FY23-24 and Subsequent Years

Other Fiscal Impact – The Department of Revenue will retain approximately \$2.95 from the sale of every new specialty license plates in FY23-24 to compensate TRICOR for production, warehousing, and distribution costs incurred by TRICOR. TRICOR will receive approximately \$2,700 in net revenue in FY22-23.

***The specialty plate organizations whose plates met the required threshold are not associated with state or local governments and should not be calculated impacting as state or local revenue.**

\$61,400/FY23-24/Specialty Plate Organizations

\$69,500/FY24-25 and Subsequent Years/Specialty Plate Organizations

Assumptions for the bill as amended:

Reorganization:

- Currently, most specialty earmarked license plates have their own section that is titled by the name of the specialty earmarked license plate.
- The proposed legislation reduces the number of sections in Tenn. Code Ann. § 55-4-3 from 99 to 53 by grouping specialty earmarked license plates together by subject matter.
- The proposed legislation does not add or remove any currently available specialty earmarked license plates.
- The proposed legislation will require a substantial reorganization of county clerk guides, forms, and website information distributed by DOR. Any increase in expenditures from updating and reorganizing this information will be not significant.

New Specialty Plates:

- Pursuant to Tenn. Code Ann. § 55-4-202(g)(1), new specialty earmarked license plates will be subject to a minimum order of at least 1,000 plates prior to initial issuance. Any plate that does not meet the minimum order requirement within one year after passage of the authorizing act will become invalid.
- Pursuant to Tenn. Code Ann. § 55-4-202(g)(3)(B), cultural license plates will be subject to a minimum order of at least 1,000 plates prior to initial issuance.
- In the prior four fiscal years, an average of 13 percent of proposed specialty license plates reached the minimum 1,000 preorder threshold and were produced.
- Under the provisions of this legislation, 26 total new specialty earmarked license plates, two specialty earmarked motorcycle plates, and one new cultural license plate are proposed.
- There are seven specialty earmarked license plates which will be extended by one year to reach the minimum issuance requirements. However, such plates were considered in the calculations for the 2022 specialty license plate omnibus legislation (Public Chapter 968 of 2022).
- Approximately 3.77 $[(26 + 2 + 1) \times 13\%]$ of new specialty license plates will meet the minimum threshold to be produced, resulting in at least 3,770 $(3.77 \times 1,000)$ plates produced.
- The annual fee for a new specialty license plate is \$35.

- The recurring increase in revenue is estimated to be \$131,950 (3,770 plates x \$35 fee).
- Pursuant to Tenn. Code Ann. § 55-4-215, all net revenue will be allocated as follows: 50 percent to specialty plate organization; 40 percent to the Tennessee Arts Commission; and 10 percent to the Highway Fund.
- Each plate costs \$4.045 to produce, warehouse, and distribute for a total of \$15,250 (3,770 x \$4.045).
- The net revenue in FY23-24 is estimated to be \$116,700 (\$131,950 – \$15,250), allocated as follows: \$58,350 (\$116,700 x 50%) to the specialty plate organization; \$46,680 (\$116,700 x 40%) to the Tennessee Arts Commission; and \$11,670 (\$116,700 x 10%) to the Highway Fund.
- It is assumed all are renewed each subsequent year.
- The recurring increase in revenue in FY24-25 and subsequent years is estimated to be allocated as follows: \$65,975 (\$131,950 x 50%) to the specialty plate organization; \$52,780 (\$131,950 x 40%) to the Tennessee Arts Commission; and \$13,195 (\$131,950 x 10%) to the Highway Fund.
- TRICOR receives \$2.95 for each plate produced. The actual cost to produce, warehouse, and distribute these specialty license plates is estimated to be \$2.27 per license plate, resulting in \$0.68 net revenue per plate for a one-time increase in net revenue to TRICOR of \$2,564 (3,770 plates x \$0.68).
- Military cultural license plates will be subject to a minimum order of at least 1,000 plates prior to initial issuance.
- Pursuant to Tenn. Code Ann. § 55-4-204(c)(1), such plates shall be issued upon the payment of the regular registration fee and a fee equal to the cost of actually designing and manufacturing the plates; provided, that the issuance of these plates shall be revenue neutral.
- The result of one military cultural plate, as proposed in this legislation, will be netted as not significant.
- Pursuant to Tenn. Code Ann. § 55-4-202(k)(2), in-state collegiate license plates will be subject to a minimum order of at least 100 plates prior to initial issuance.
- For the purposes of this analysis, it is assumed both applicable plates will have 100 plates produced each, for a total of 200 plates (2 x 100).
- The annual fee for the new cultural plates is \$35.
- The recurring increase in revenue is estimated to be \$7,000 (200 plates x \$35 fee).
- Each plate costs \$4.045 to produce, warehouse, and distribute for a total of \$809 (200 x \$4.045).
- The increase in revenue in FY23-24 is estimated to be \$6,191 (\$7,000 - \$809), allocated as follows: \$3,096 (\$6,191 x 50%) to the specialty plate organization; \$2,476 (\$6,191 x 40%) to the Tennessee Arts Commission; and \$619 (\$6,191 x 10%) to the Highway Fund.
- It is assumed all are renewed each subsequent year.
- The recurring increase in revenue in FY24-25 and subsequent years is estimated to be allocated as follows: \$3,500 (\$7,000 x 50%) to the specialty plate organization; \$2,800 (\$7,000 x 40%) to the Tennessee Arts Commission; and \$700 (\$7,000 x 10%) to the Highway Fund.

- TRICOR receives \$2.95 for each plate produced. The actual cost to produce, warehouse, and distribute these specialty license plates is estimated to be \$2.27 per license plate, resulting in \$0.68 net revenue per plate for a one-time increase in net revenue to TRICOR of \$136 (200 plates x \$0.68).
- The total increase in revenue to specialty plate organizations in FY23-24 is \$61,446 (\$58,350 + \$3,096).
- The total increase in state revenue to the Tennessee Arts Commission in FY23-24 is \$49,156 (\$46,680 + \$2,476).
- The total increase in state revenue to the Highway Fund in FY23-24 is \$12,289 (\$11,670 + \$619).
- The total recurring increase in revenue to specialty plate organizations in FY24-25 and subsequent years is \$69,475 (\$65,975 + \$3,500).
- The total recurring increase in state revenue to the Tennessee Arts Commission in FY24-25 and subsequent years is \$55,580 (\$52,780 + \$2,800).
- The total recurring increase in state revenue to the Highway Fund in FY24-25 and subsequent years is \$13,895 (\$13,915 + \$700).
- Pursuant to Tenn. Code Ann. § 55-4-202(b), there is a handling fee of \$1.00 payable to the county clerk upon issuance or renewal of any cultural, specialty earmarked, or new specialty earmarked license plate, except plates exempted from payment of fees.
- Therefore, there will be an increase in local government revenue of \$3,790 [(3,770 + 200) x \$1] in FY23-34 and subsequent years.
- The total net increase in revenue to TRICOR in FY23-24 is \$2,700 (\$2,564 + \$136).

In God We Trust Plate:

- In 2022, pursuant to Public Chapter 429 (2017), all standard plates were replaced with the current blue design. Per the language of this legislation, all registration plates would need to be replaced again, beginning January 1, 2024 or upon depletion of existing inventory.
- For the purposes of this analysis, it is assumed the replacement will occur when DOR depletes their existing stock and owners and lessees are issued a new plate.
- Per the language of this legislation, an owner or lessee may request and be issued a replacement registration plate if the owner's or lessee's existing plate:
 - (i) Contains the national motto language and the owner or lessee is requesting a plate without the national motto language;
 - (ii) Does not contain the national motto language and the owner or lessee is requesting a plate that contains the national motto language; or
 - (iii) Has been lost, stolen, destroyed, mutilated, or so damaged as to be illegible.
- It is assumed that DOR, by rule, will charge an owner or lessee a fee equal to the cost of actually designing and manufacturing the plates; provided, that the issuance of these plates shall be revenue neutral. It is further assumed that an owner or lessee will not be issued a replacement registration plate, upon request, if the owner's or lessee's existing plate contains the national motto language and the owner or lessee is requesting a redesigned plate that contains the national motto language.
- It is unknown how many plates will be requested and, therefore, unknown the total increase in revenue to local government.

- Therefore, there will be no significant increase to state expenditures as a result of this portion of the legislation.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/kc